

**OFFICE OF THE  
WASHINGTON STATE LIQUOR CONTROL BOARD  
Board Meeting /February 15, 2006**

The regular meeting of the Washington State Liquor Control Board was called to order at 10:00 a.m., on Wednesday, February 15, 2006 in the Board conference room, 3000 Pacific Avenue S.E., Olympia, Washington, by Chairman Merritt D. Long. Board Member Roger Hoen and Vera Ing were present. Tony Kim, Administrative Assistant to the Board summarized the minutes.

**Enforcement/Education Division – Swear in Ceremony**

Merritt D. Long, Chairman sworn in Pat Parmer, the new Chief of Enforcement & Education division and Pat Parmer sworn in Tony Sowards, the new Enforcement & Education Officer.

**Retail Services Division – Contract Liquor Store Relocation, Orcas #628**

Linda Lenz, Secretary Administrative

Margaret Russell, the Manager of CLS #628 Orcas Island, is requesting approval to relocate from the present location of 8368 Orcas Road to 10 Killebrew Lake Road. The reason is that the owner of the building she has been renting from has sold, and the new owner has asked her to relocate. She only has until March 1, 2006 to relocate.

Ms. Russell's proposed location is across the street from the current location. The advantages of this new location are that it will face the ferry lanes and provide better visibility for foot traffic, 15 parking spaces are available where none were available before, new location will be adjacent to a grocery store, there is electronic surveillance on site, and the site is ADA accessible. The move is planned for February 26<sup>th</sup> in order to minimize disruption of service. The first day in the new location is February 27<sup>th</sup>. Hours of operation will remain the same.

Ms. Lenz recommended that the Board approve this relocation of the Contract Liquor Store #628, Orcas Island to 10 Killebrew Lake Road, effective February 27, 2006.

Board Member Ing moved for approval. Board Member Hoen seconded the motion, and it was passed unanimously.

## **Retail Services Division – Liquor Store Lease Proposal, Everett #193**

Suzanne Lewis, Property Leasing Manager

The downtown Everett liquor store, formerly known as Store #125 and located at 2615 Broadway Avenue, was closed in June 2003 when the landlord terminated the lease in order to allow QFC to expand.

### **BACKGROUND**

After many years of evaluating possible sites for a downtown Everett liquor store, staff has finally located a suitable site for a new liquor store to serve the area. Everett is in the midst of a revitalization spurred by the new Everett Events Center. At present, there are still many older buildings that require a sizable investment to bring them up to current retail standards. There are a few new retail developments underway, but none of them currently meet the size, location and accessibility requirements for a liquor store. In addition, lease rates in Everett, particularly new construction, have increased dramatically.

Erickson Furniture currently occupies most of a city block approximately 6 blocks north of the former Liquor Store #125. The building sits on the back half of the lot with a large parking lot along Broadway Avenue. There is a huge pylon sign at the corner of the property with a large “E” on the top that is visible over a wide area. LCB staff met with the Mayor of Everett and other city staff members some time ago and the Erickson site was recommended for a liquor store. Another retailer had planned to construct a 6,000 square foot building on the Erickson property and permits had already been approved when they cancelled their plans. Thus, the permit processing time for a new liquor store building should be shortened considerably.

### **PROPOSAL – 2015 Broadway Avenue, Everett**

The Lessor, Clay Erickson of RJE Family Limited Partnership, represented by Eric Bissell of First Western Properties, Inc., has proposed a ten (10) year lease in a new 5,664 square foot space. The rental rate will be \$12,272.00 per month, or \$26.00 per square foot per year, during Years 1-3, \$13,216.00 per month, or \$28.00 per square foot per year, during Years 4-6, and \$14,160.00 per month, or \$30.00 per square foot per year, during Years 7-10.

The Lease may not be terminated during the initial ten (10) years of the lease term, except pursuant to Paragraph 2, (privatization) if applicable, or if Lessor(s) is in default under this agreement and fails to cure such default within 30 days after receipt of written notice of the default.

The Lessor has agreed to construct the premises per the Board’s “General Specifications for Self-Service Stores” (Revised 10/02), including a fire sprinkler system and exterior signage. He has also agreed to the provisions of Appendix A, "Areas of Responsibility",

with no exceptions.

### **SALES HISTORY OF NEARBY STORES**

Recent sales history for Stores No. 075 and No.125 are as follows:

Store #075 (3.1 miles south):

	<u>Retail Sales</u>	<u>Class H Sales</u>	<u>Gross Sales</u>
FY2005	\$4,276,658	\$682,936	\$4,959,594
FY2004	\$4,142,976	\$931,480	\$5,074,456

Store #125 (1.6 miles south): (licensees only)

FY2005	\$ 16,115	\$2,389,960	\$2,406,075
FY2004	\$ 14,111	\$1,703,434	\$1,717,545

Previous Store #125 sales:

FY2003	\$2,421,020	\$1,395,021	\$3,816,041
FY2002	\$2,565,078	\$1,352,369	\$3,917,447

### **ADDITIONAL DATA:**

Retail sales for the first full year of operation are projected at \$2.0 million. Licensee accounts will stay at the current Store #125.

Projected Sales/sq ft: \$353 (average for all state liquor stores was \$677 for FY05)

Projected Profitability: The average profit for all state stores in FY05 was 11.02%, including Class H discounts. A very conservative 8% annual increase was used to project future profitability with no Class H sales. At that rate, projected profitability would be 3.2% in Year 1, 5.0% in Year 2, 6.2% in Year 3, 7.3% in Year 4 and 8.4% in Year 5.

Current asking rates in the downtown Everett area are upper \$20's to low \$30's per square foot + triple net charges. Tenant improvements would be in addition to these rental figures. A new Starbucks in the vicinity is paying \$38.00 per square foot, triple net, while Quizno's is paying \$30.00 per square foot, triple net.

Comparable liquor store lease rates for new construction:

#097	Shoreline – Gateway Center (newer Bartell's-anchored center on major arterial)		
	6,002 square feet	11/01/05 – 10/31/15	
	Years 1-3	\$12,504.00	\$25.00/sq ft/yr
	Years 4-6	\$13,254.50	\$26.50/sq ft/yr
	Years 7-10	\$14,004.50	\$28.00/sq ft/yr

#187 Seattle-Ballard (new stand-alone building on major arterial)

	6,290 square feet	02/01/06 – 01/31/16	
	Years 1-3	\$14,650.46	\$27.95/sq ft/yr
	Years 4-6	\$16,222.96	\$30.95/sq ft/yr
	Years 7-9	\$18,319.63	\$34.95/sq ft/yr
	Year 10	\$19,630.04	\$37.45/sq ft/yr

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#191 Seattle-15<sup>th</sup> NE (new stand-alone building on major arterial-recently approved)  
6,045 square feet 10 year lease to start Fall 2006

Years 1-3 \$12,594.00 \$23.00/sq ft/yr

Years 4-6 \$13,349.00 \$25.00/sq ft/yr

Years 7-10 \$14,105.00 \$25.00/sq ft/yr

Traffic Count: Over 29,000 cars per day

### **SUMMARY**

Summary of the lease proposal for Store #193:

#### Proposed Rent

\$12,272.00 Yrs 1-3

\$26.00/sq ft/yr

\$13,216.00 Yrs 4-6

\$28.00/sq ft/yr

\$14,160.00 Yrs 7-10

\$30.00/sq ft/yr

Ms. Lewis recommended approval of Lease Proposal #193 at 2615 Broadway Avenue, Everett.

Board Member Ing moved for approval. Board Member Hoen seconded the motion, and it was passed unanimously.

### **Retail Services Division – Liquor Store Lease Proposal, Seattle #101**

Suzanne Lewis, Property Leasing Manager

The lease for Store No. 101, located at 1702 Fourth Avenue South, Seattle WA, will expire on February 28, 2006.

The Lessor, C. Jairus Stratton III of SRO Properties, has agreed to a six (6) month extension of our current lease, effective March 1, 2006. During this extension period, the rental rate will be \$22,000.00 per month, or \$15.00 per square foot per year, a 51% increase. All other terms and conditions of the current lease shall remain the same.

We currently pay \$14,578.67 per month, or \$9.94 per square foot per year, for a 17,600 square foot space. The store is actually 9,500 square feet and the rest of the building is occupied by the Store Development carpenter shop. Gross sales for FY 2005 were \$14,653,600 with Class H Sales at 37.8%.

Board Member Ing moved for approval. Board Member Hoen seconded the motion, and it was passed unanimously.

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**The Meeting was adjourned at 10:20 a.m.**

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Merritt D. Long  
Chairman

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Vera Ing  
Board Member

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Roger Hoen  
Board Member